

2014 PRELIMINARY BUDGET PRESENTATION

November 27, 2013

After raising real estate taxes in 2013 to fill a revenue gap created by unprecedented state and federal funding cuts to mandated human services, I am pleased to announce that there will be no County tax increase for 2014. The County's tax rate will remain at 4.52 mills.

A taxpayer whose home is assessed at \$150,000 will continue to pay \$678 in County real estate taxes. A 1/10th of a mill Library Tax is included in the 4.52 millage rate resulting in \$15 of the average homeowner's County tax payment going directly to support the work of the York County Library System. We project Library System funding next year will be \$2.5 million.

The consolidated 2014 County budget is \$476.7 million, with a General Fund of \$190.6 million. Compared to 2013, the General Fund budget is increasing less than one percent (9-tenths of a percent), reflecting increased health care and debt service costs. Net of healthcare and debt service expense, the cost of core County government services actually decreased 1.8% from one year ago.

MAJOR BUDGET IMPACTS

Pleasant Acres Nursing & Rehabilitative Center

Over the past three years, the federal government has not increased the reimbursement rates for Medicare and Medicaid under the Affordable Care Act. While medical care costs have been escalating at an annual rate of 8% to 11%, there has been no corresponding increase in the federal reimbursement rates that County nursing homes rely on to fund long term care operating costs.

The County's Pleasant Acres Nursing & Rehabilitation Center is a 375-bed facility with a 90%+ Medicare/Medicaid dependent resident population. In 2013, we projected the Nursing Home would require a County subsidy of \$7.1 million due to a \$ 3.8 million shortfall in Medicare and Medicaid funding. We are pleased to report that the actual 2013 subsidy will be \$5.9 million, well below the 2013 budgeted subsidy. As a result of thorough and aggressive billing practices combined with improved operating efficiencies, we believe the 2014 subsidy will improve slightly to \$5.7 million next year.

911 Emergency Services Center

The County's emergency services operations were also impacted by a significant funding shortfall in 2013 reflecting the Governor's state budget cuts. The County's PEMA funding, the primary revenue source for 911 emergency call centers in Pennsylvania, was reduced \$2.1 million for fiscal year 2012/2013. PEMA funding was essentially cut in half, requiring the County to pick up the shortfall in order to maintain emergency 911 operations essential for the safety and well-being of our residents and first responders. Fortunately, a portion of the PEMA funds were restored through a supplemental allocation from the state, reducing the anticipated 2013 subsidy. We believe 2014 PEMA funding for our 911 services will be \$3.0 million, reducing our 911 subsidy from \$8.2 million in 2013 to \$6.4 million for 2014.

Human Services

Last year, the County's Human Services agencies were particularly adversely affected by the controversial state funding reductions for Children, Youth & Families, Mental Health & Intellectual Development and Disabilities, and the Area Agency on Aging. Overall, these programs endured almost \$7 million in funding cuts resulting in waiting lists for services and clients who have not been able to access the services they require.

For the Children, Youth & Families agency, York County taxpayers picked up the shortfall in DPW funding in order to protect our at-risk children and youth as required by state law. For 2014, we are again facing an over-match requirement with the County subsidy increasing approximately \$350,000. Fortunately, that increase is offset somewhat by a decrease in the 2014 County match for the Area Agency on Aging.

Bureau of Immigration & Customs Enforcement

Since the mid-1990's, York County has relied upon the housing of federal immigration detainees to help offset the rising cost of incarcerating County inmates at the York County Prison. In 2013, the County planned to house a daily ICE population of 850 detainees with associated revenue of \$25.6 million. Due to factors outside of the County's control, the average daily population through October this year was only 756 detainees, resulting in much lower than expected ICE revenue for 2013. As a result of this lower average population trend, we have reduced our 2014 budgeted revenue plan by \$2.8 million dollars to more closely reflect actual population numbers.

Healthcare Costs and Employee Benefits

Statistics show that the average increase in medical claim costs over the past five years nationwide has been in excess of 10%. Fortunately, York County government has been experiencing a lower average rate that has been trending in the 7-8% range. At an annual increase of 8%, our health care costs are growing at over \$2.3 million annually. In 2013, the County introduced a new health benefit plan incorporating a Health Savings Account in order to

mitigate the rising cost of health benefits. Combined with higher employee contributions, our goal is to encourage employees to be wise consumers of their health care dollars. As the new plan gains acceptance, we anticipate our benefit cost increases will continue to moderate and remain well below national averages. In total, the County will spend over \$37.2 million in 2014 for employee medical and retirement benefits.

Debt Service Refunding Opportunities

The 2014 revenue budget includes \$2.9 million of income related to debt service refunding opportunities that the County plans to exercise in December 2014. The County plans to use the income from one or more of these refunding opportunities to reduce planned debt service payments in 2014.

IN SUMMARY

Overall, the 2014 County budget continues our efforts to provide the highest quality services with very limited financial resources. As our nation progresses on its slow path to recovery, local economic conditions remain difficult for everyone... our citizens, our employees and all those who rely on County services for their health and well being. The Board of Commissioners is aware that tough economic times will continue into the foreseeable future, and have worked diligently to keep the cost of government in check through sound fiscal management and effective leadership. We also believe our most valuable assets are our employees who work diligently everyday to ensure County services are available and affordable for all. Their dedication and hard work enhances the overall quality of life in York County for all of us.

With public safety, the judicial system and mandated human services accounting for 80% of our total General Fund budget, there is very little discretionary spending capacity. Controllable costs such as non-bargaining unit employee salary and wage increases have been held at or below 2% for several years. For 2014, elected officials and non-bargaining unit employees will receive an annual wage increase of 1.6% based on the Consumer Price Index for the northeast sector, while union contracts typically average in the 2-3% range. Capital expenditures are closely controlled with a 2014 General Fund capital plan of approximately \$787,000, primarily devoted to technology and infrastructure upgrades.

On a very positive note, the balanced budget for 2014 will not require a drawdown on the County's unrestricted \$9 million cash reserve. Preserving the reserve balance is essential for the County to retain its AA Stable financial rating... a rating that ensures that the County will receive favorable interest rates on future borrowings.

WRAP-UP

In closing, I would like to thank the Board of Commissioners for their outstanding leadership and for establishing the long term strategy that has enabled us to hold taxes level for four out of the past five years.

THANK YOU

I would like to also thank the County Budget Team for their persistence and dedication in working toward a responsible and reasonable budget. Treasurer Barbara Bair, Controller Robb Green and Deputy Controller Deb Myers are to be commended for their continued hard work and effort.

WHAT HAPPENS NEXT?

The Preliminary Budget will be available for review and comment by the general public for 20 days. We will have a copy available on both the Commissioners Office counter and on our website at www.yorkcountypa.gov .

It is our intent to place the Final 2014 Budget on the Commissioners agenda at our regularly scheduled Commissioners' Meeting on Wednesday, December 18th .

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